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Kutsenko, Olga

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OLGA KUTSENKO,
Doctor of Sciences in Sociology, Professor, Head of Social Structures and Social Relations Chair of the Sociology Faculty, Taras Shevchenko Kyiv National University

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Abstract

The analysis of the major societal trends and outcomes of Ukrainian post-socialist development is provided in the article. The author's focus is directed towards revealing of interconnection between the market shifts, changes of social mood, consciousness and structure, institutional quality and political accountability. The social dynamics during the post-socialist epoch, from reversing displacement in social and political institutional matter at the end of 1990s towards explosion of social expectations at the line of 2004-2005 and the following mass disappointment which accompanies the increasing contemporary political deregulation is considered from the point of view of search for answers in regard to the perspective features of Ukrainian development.

Over the last several years, Ukraine has found itself in the focus of attention of remote countries, which surprised Ukrainians themselves. Viewers in many countries could watch the unusual political "shows": the Orange Revolution, the "gas war" with Russia at the end of 2005 and beginning of 2006, the negotiations after the parliamentary elections of 2006, mixed with tragicomic elements, on creating a governing majority in parliament… Does all this mean that we see the "supernovas" of democracy flaring up on the dimming sky of European politics? Or is it just another sign of how social realities are becoming increasingly virtual, gradu-

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ally yielding to forms of "expression"? Or might it be a sign that in the new twist of the development of capitalism, the business elite and new middle class have "revolted"? Consideration of the factors and ways of Ukrainian transformation in its past and present state, which is boarding of the further development of the society, is the task of this article.

In Reverse Shift from a Chaos towards the Social Order

We cannot comprehend the social and political processes going on in Ukraine without becoming familiar with the road leading to the Orange Revolution, the immediate preliminaries to the peculiar events that followed it, and the special features of the transition period of the country. The unique historical situation of restoring capitalism, the systemic detachment from total control of the disintegrating Soviet Empire, and the feeling of liberation triggered by all this, generated historical optimism. There has been an euphoric belief in the success of the upcoming democratic and market transition — not only in Ukraine, but also in the rest of the post-communist countries.

However, even in the first years of post-communist development, a crisis of the economy, deterioration of living standards and quality of life, and failure of hopes for quick prosperity — all this triggered mass disappointment. There was disruption of beliefs and hopes, and a radical change in the general social and political mood. All the signs implied that the macroeconomic and social shock was an inevitable consequence of the sudden institutional changes in economy and structural changes in society. However, the depth and persistence of the shock were different in the various countries. Ukraine experienced things differently from the others. In this economic disaster, Ukraine lost 60% of its gross domestic product measured in 1989 (and hit bottom in 1998), in Russia the loss amounted to 45% (bottomed in 1998 too). In Poland, however, the loss totaled 18% at worst (bottom in 1991), and in the Czech Republic 13% (the bottom was in 1993)[1].

Ukraine "broke the record" not only in the decrease of GDP, but also in the deterioration of industry and industrial employment[2]. The economic recession was accompanied by a spectacular increase in social dispari-

[1] Calculations see in: [1].

[2] In 2001, industrial employment decreased by over 50% (compared to 1989). After that, the industrial sector started to grow somewhat. See: [2].

ties. It polarized the population in terms of income and financial capabilities. The measure of polarization differed from country to country. In the 1990s, income disparities doubled in Ukraine compared to the previous decade (as they did in Russia). In the Czech Republic, Hungary and Poland, the social differentiation was much more moderate [3, p. 41]. In Ukraine, a level of income inequality measured by the Gini coefficient in the mid-nineties has increased almost two times since the end of the 1980s and ranked 47-48 (like in Russia), while in Czech, Hungary and Poland such increasing appeared to be not so much jeopardizing — the Gini index has risen only by 2–7 points. In those three countries, a relative balancing of social disparities was due to the governments regulating the processes of transition, in an effort to mitigate the social losses of reforms. In Ukraine, as in Russia, the governments only took measures aimed at stabilization when the social and economic crisis started to develop into a real disaster.

The lack of an economic reform strategy considerably increased regional asymmetries within the country. In 1990, the per capita gross regional product of the richest region in Ukraine was 159% compared to the figure of the weakest. In 1996, this figure went up to 268%. In 2004, the regional disparities became stunning — 658%, or two and a half times more than in 1996. In 1996, the per capita product of the city of Kyiv was 1.4 times more than the average for Ukraine. In 2004, it was 3.2 times more [5]. The sharpening interregional social and economic disparities have been destabilizing Ukrainian society. They increase political and social fragmentation and jeopardize the unity of the country. Contradictions, as well as their utilization for political purposes, could be observed. In the first stage of the Orange Revolution, steps were taken to ensure the "sovereignty" of the Eastern and Southern regions of Ukraine. Those measures were initiated by the Party of Regions, with Viktor Yanukovych as its head.

In 1992, the privatization of small and large enterprises started by open tender. Between 1995 and 1999, the process of mass privatization by vouchers evolved. Privatization gave a boost to private initiatives, which was one of the important reasons why the country recovered from the deep structural recession at the end of the 1990s. At the same time, despite expectations, the millions of Ukrainian citizens participating in the voucher privatization did not become actual owners[1]. Cash-free pri-

[1] In Ukraine, 19 million people became shareholders on paper only, and did not even obtain the certificate of shareholder. See: [6].

vatization resulted in insiders getting the most from the assets, which caused slow growth in demand for institutional market reforms. On the other hand, the lack of developed market institutions resulted in a situation where assets became concentrated in the hands of a few insiders with political connections, through transactions in the secondary market [7, p. 17]. The "redistributional coalitions" (M. Olson's term) were very quickly established on this basis[1], the crystallization of which resulted in economic dominance of a few large business-political oligarchic groups.

Against this background, apocalyptic visions[2] and a decline in moral standards [19] started to become widespread phenomena in society as early as in 1993. Society became deeply alienated from power and the state. The power gave "a free hand" to redistributional coalitions, consolidated through private interests, and gave latitude to processes of the state capture [9]. Private owners captured the assets of the state, defining the rules of the game themselves and relying on state officials and politicians on their payroll. Business penetrated into politics. The "capture of the state through privatization" led not only to the formation of new large, medium and small entrepreneurship classes. It also strengthened and reproduced the high social status of representatives of the former nomenclature and their bureaucratic network. In the case of Ukraine, it is safe to say that the 1990s saw *the new nomenclature revolution*. This resulted in the conversion of political and social capital of the former nomenclature into economic capital. The former nomenclature now used the economic capital to penetrate (back) into stable political positions.

At the beginning of the 1990s, Western advisers emphatically focused on the neoliberal version of market transition. The nascent institutions of market and democracy also implied that. This was supposed to subdue the traditional conditions, a legacy of the Soviet system, detaching power from property, and business from the exercise of political power and administration. However, this suppression and detachment did not materialize. That was primarily because, although the Ukrainian reforms of the 1990s created a formal market and democracy, it was not the product of civil society developed through historical evolution. It did not originate from a specific culture, in which citizens take a stand for

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1 M. Olson demonstrated in his work "The Logic of Collective Action" that the " the redistributional coalitions " are relatively small in number. Their members are linked together by private interests, and they are much more capable of self-organizing than groups based on common interest, which have a wide span but are amorphous [8].

2 According to the national opinion surveys, such was the public mood until the end of the 1990s, and it was the strongest between 1994 and 1998 [10].

liberty and property, privacy and the interests of self-organizing communities, while also establishing the mechanism of implementing these interests. Civil activity, trust in institutions, power and democracy could only be observed in Ukraine for a short time, at the very beginning of the 1990s. From as early as 1993 — paradoxically, just when the procedural forms of democracy were consolidated — one could observe fast deterioration of these indicators.

The data of the annual national monitoring conducted by the Institute of Sociology of the National Academy of Sciences of Ukraine (IS NASU) indicated that in 1994, the index of trust for democracy and its political institutions (such as the head of state, parliament, government) was between 2.1–2.3, where 5 would indicate full trust and 1 indicates full distrust. Up until mid-2004, this indicator only showed slight variation, and practically had not changed[1] [10, p. 30].

The elite and the new leading political-economic class disguised its interests behind the rhetoric of democracy. But in fact, they were intent on ensuring their dominance in power and property. The interests of the elite defined the rules of the game, so that they could capture the most important positions of the political arena, and use the state and its corruptible mechanism to capture the former assets of the state. The various forms of rental *rooted in corruption*, coupled with intensifying structural imbalances, continue to suppress the markets, and also have the effect of subduing the activities of private entrepreneurs striving for real democracy. The interest of the groups raking in disproportionate rents is to sustain this source of income, and, naturally, to block further democratic and market reforms. The "You scratch my back and I'll scratch yours" informal relationships, characteristic of the final stage of Soviet society, were carried over to the new rules. What is more, the new rules became even tougher and more cynical.

The huge alliances of large industrialists, big entrepreneurs, bankers and post-nomenclature leading elites brought media sources — among others — under their control. Their interests called for the restoration of an authoritarian political regime. The redistribution (capture) of property had to be implemented quickly and efficiently, avoiding competition with large multinational corporations, which could only be done in a strict authoritarian-patronizing system. For example, when the companies of "Ukrrudprom", the biggest exploiters and processors of ore, were

[1] To be fair, it should be noted that the *low level of trust* in public life was a characteristic feature of every post-communist country. During the long years of Soviet society, absolute trust in the system was imposed from above. Loyalty was under total control. This inevitably led to the *distortion in personality,* or to be more precise the *capacity for being a citizen.*

privatized, Ukraine had to accept accomplished facts, without any previous discussion.

At the same time, in the beginning of the 1990s, and then between 1998–2000, attempts of the national political elite to modernize the political system disregarded the fact that the industrial-financial groups needed a system of "guardianship and control". Thus, these large capitalist groups backed up an anti-democratic and anti-market agenda. It is no surprise that the first political force around which the Ukrainian financial and industrial groups concentrated was the Communist Party of Ukraine.

The political struggle for power, capture of political and administrative control over market competitors, and the privatization of the remaining strategic assets of the state, as well as the struggle for control of the loyalty of citizens, took increasingly tough forms in Ukrainian society.

The institutional changes were significantly dependent, on the one hand, on the interests of powerful financial-industrial and business-political groups. On the other hand, owing to the stereotypes, life rules and knee-jerk reactions rooted in the past, the changes could not serve as appropriate guidelines for democratization and market reforms. In fact, they were destined to be counter-effective. They resulted in *the reproduction and consolidation of the authoritarian-paternalistic political and economic system.*

Institutional inefficiency was becoming more and more obvious. Particularly, this fact was reflected by indicators of GDP per capita, of a part of informal economy in GDP, of a level of political stability, as well as government effectiveness, etc. — see Table 1.

Table 1

Institutional Quality: Ukraine and Russia Compared, 2002–2005

	Population in millions	Income category (the World Bank ranking)	Gross national income (GNI) per capita (US$)	Informal economy (in per cent to GNP)	Political stability (PS), 2004	Government effectiveness (GE), 2004	Changes in life expectancy, 1989–2002
Ukraine	47.2	Lower middle	1,260	52.2	37.9	28.4	–0.59 year/ –0.86 %
Russian Federation	143.0	Higher middle	3,410	46.1	21.8	48.1	–3.57 year / –5.16 %

Sources: [11; 12; 13].

Among 19 countries of the Central and Eastern Europe in 2005 Ukraine remained to be one of the poorest countries at that being the most populated one. Government effectiveness, supporting business, as well as rule of law ranked at the very low level (see Table 2).

Table 2

Differences in Economic Reform Results: Ukraine, Russia and Hungary Compared

	Progress in reforms (World Bank, 1996)	Political and business environment		
		Government effectiveness (GE)	Regulatory quality (RQ)	Rule of law (RL)
Ukraine	The fourth group (the slowest reforms)	–0.74	–0.62	–0.79
Russian Federation	The third group ("backward")	–0.40	–0.30	–0.78
Hungary	The first group ("advanced")	0.78	1.21	0.90

Sources: [12; 13]

Given these circumstances, deep dissatisfaction accumulated in wide groups of society toward the existing regime. A demand for change appeared, in a wide social environment that was practically alienated from ownership and sources of influence. The potential for protest and negative social mobilization increased (Table 3).

At the beginning of the 2000s, entrepreneurs (especially small and medium enterprises operating in the commercial and mediation sector, highly trained experts and professionals) started to articulate their interests more and more emphatically. Dissatisfaction in the world of large entrepreneurs also intensified, owing to exposure to political cycles and high "taxes" expected in exchange for loyalty of public authorities. Social resistance gained strength among the competing political-economic groups. It also grew between, on the one hand, the emerging middle class, consisting of owners of small and medium enterprises, highly trained professionals and representatives of large corporations, and on the other hand, the structures of power aiming to control the activities of the former. The latter forced the former to "bypass" the rules, which was one of their ways to elicit "rental".

Table 3

Protest Potential of the Ukrainians in case of Breach of the Civil Rights and Interests, 1994–2005

(Multiple Choices, *N* = 1800–1810 per Year of a Survey*)

Indicators of protest potential	Years of survey										
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2004	2005
Attitudes to political party membership, %	0.7	0.6	0.5	0.4	0.9	1.5	0.8	1.7	2.2	1.9	2.5
Conventional protest potential index**, %	16.4	15.9	13.9	12.1	18.2	20.2	19.1	22.3	17.4	20.5	27.5
Non-conventional protest potential index**, %	2.9	3.1	3.1	2.9	4.3	3.9	3.7	4.6	2.7	2.2	4.0
Unwillingness to take part in any form of protest, %	31.9	36.9	33.5	37.3	29.8	29.9	34.2	30.3	37.1	36.6	25.2
Destabilization index of protest potential***, %	3.2	3.2	3.0	2.9	4.2	4.0	3.7	4.6	3.0	2.6	4.6

* The attitudes toward protest behavior were not measured in the 2003 Survey.

** The indexes of conventional and non-conventional protest were calculated as an average meaning of a percent of the corresponding protest forms per year (maximum is 100%).

*** According to expert interviews (by N. Panina).

Source: [10, p. 40].

Research at the beginning of the 2000s indicated that political activity of the youth increased. The young generation participated in democracy development and self-governing programs in schools and universities, and got their first experience in democratic life by participating in role-playing games. Confrontation existing in society practically alienated people from opportunities of influence, and the representatives of the power structures. This confrontation was becoming significantly more complex because of split between the Ukrainian political-econo-

mic elites. There was also an external struggle for influence over Ukraine between Russia and the West. The latter meant, on the one hand, the US with its expansionist geopolitical approach, and on the other hand the European Union, with its more moderate position.

Regardless of political alienation of the "silent majority", the experiences of the Ukrainian election campaigns of 1999–2002 increasingly demonstrated that political participation and democratic control of power had drawn the attention in society. Despite permanent and serious economic and social difficulties, citizens of Ukraine showed a fairly high level of interest in activities of the political and power bodies, thereby demonstrating a significant effort to accomplish liberty. The presidential elections of 2004 became a catalyst in the mobilization of Ukrainian society. According to a survey conducted by the Razumkov Research Center at the end of 2003, 71% of the adult population of Ukraine took some action with a view to the presidential elections bringing about a radical political change of direction. With a low level of trust in the institutions of democracy, the citizens of Ukraine had very strong personal feelings about the presidential elections of 2004. Many believed it would be an important event whose outcome may improve not only the general situation in the country, but also in their own families. In part, these expectations may be the reason why the voters became so polarized along principles in the presidential elections of 2004, standing by their preferred candidates, on the basis of "there is no third option".

The intensification of confrontation between social and political-economic forces, open cynicism demonstrated by the activities of the governing forces, high expectations attached to the presidential elections of 2004 and a danger of non-fulfillment of these elevated expectations — all this together led to a social explosion. One of the signs confirming this notion is that society managed to overcome its defeatism. Among people polled by the Institute of Sociology (IS NASU), 33% believed that in the days of the Orange Revolution, political activity of the citizens had been mostly driven by protest against the governing power. They agreed with the statement that it was a "conscious struggle of citizens united for the defense of their rights" [10, p. 149].

Orange Revolution and Its Aftermath: Myths and Disillusionment

The events of the Orange Revolution proved a line of partition in Ukrainian society, the crossing of which changed society irreversibly. Society

started to believe in its own power, and an explosive change took place in civil identity, national awareness, political mobilization and restructuring.

For long years, after the disintegration of the Soviet Union, many Ukrainian citizens felt they were at crossroads. Their awareness of identity was uncertain and ambivalent. According to the National Survey in 1994, 47% of Ukrainians stated that in a hypothetical new referendum on sovereignty, they would vote against the independence of Ukraine as a state. Only 24% would have voted once again for a sovereign Ukraine [14, p. 3]. The situation had not changed by 2003. But at the end of 2004, the picture changed completely. In 2001, according to the monitoring survey of the Institute of Sociology (NAS of Ukraine), 35% of the polled considered themselves citizens of Ukraine first and foremost. In 2005, 55% identified themselves as Ukrainian citizens. In 2005, 79% of polled Ukrainians said that if they had a chance to choose another country, they would still opt for Ukraine as their homeland [10, pp. 72, 149]. This suggests a uniquely high level of national awareness, considering that Ukraine has been a sovereign state for only 15 years. Ukrainian national awareness started to increase noticeably from 2003. Consideration of Ukraine as the respondent's own homeland grew from 2004. Over the last 14-15 years, 2005 was the first year when the majority of citizens felt the Ukrainian state was really independent. The report of *Freedom House* for 2006 confirmed this phenomenon by classifying Ukraine as a "free country" for the first time [15]. Owing to the Orange Revolution, a non-class-based *ideological partition* emerged in society, which divided the country into two almost identical parts in geographical terms, but to a lesser extent, also in terms of generations. The support or rejection of the Orange Revolution and affiliation with political parties acting in it was a sign of this partition. This partition carries significant social risks. Having said that, the creation of awareness of these processes signifies a shift in principal importance for Ukrainian society. That affects not so much the political-economic, but more the civil, mental and political-cultural conditions.

The events of the Orange Revolution swept away the one-sidedness of the new authoritarian system that was gaining strength. This gave a chance to liberalize the Ukrainian regime, but only a chance. Society and politics are on the razor's edge, amid continuously sharp political struggle and mass "post-revolutionary" disillusionment. In summer 2005, the incompetence of the new governing power and its intention to find immediate solutions to deeply rooted political and economic problems by mass replacement of cadres played a very negative role in this movement. Eco-

nomic and political decisions were not compatible with revolutionary presentation. The miracle failed to materialize. In addition, owing to the extremely populist actions of Yuliia Tymoshenko, the state once again found itself on the verge of an economic crisis. The "revolutionary" redistribution of property, influence and cadres, the rejection of the formerly accepted normative acts affecting taxation and free economic zones, the extremist actions in relations with Russia and several similar phenomena brought about the real danger of state bankruptcy.

The "revolutionary ideals" degenerated into a farce. Society reacted very quickly. The general political atmosphere altered. Public trust in the "orange political leaders", especially in Uschenko and Tymoshenko, started dropping as early as August 2005. The trust capital of the opposition Party of Regions and its leader Yanukovych, started to increase. In spring 2005, data of the Institute of Sociology showed that 41% of Ukrainians *"supported and continue to support leaders of the Orange Revolution"*. In spring 2006, that dropped to 29%. At the same time, the proportion of those who *"did not support and do not support leaders of the Orange Revolution"* increased from 27% to 39%. Owing to the Orange Revolution, in 2005, 32% of citizens felt they were winners and only 12% considered themselves losers. By 2006, these proportions had been reversed to 16% versus 35% [10, p. 85]. Opinion polls at the time of the parliamentary election campaign of 2006 demonstrated that the society was deeply disappointed with the "new" power, mostly regarding its professionalism, honesty and awareness of responsibility. This disappointment was felt not only by the new leaders' political adversaries, but recently in the group of their supporters as well.

Society and the political sphere in total had been restructured[1]. There was no need for the advent of "new heroes". Whoever would come to power as a result of the parliamentary elections, would certainly have to *form a "wide" coalition.* In this situation, it became practically insignificant which party would receive the most votes in the elections at the end of March 2006. The ability to make compromises and create a coalition became much more important. The romantic revolutionary ideals yielded to hard-nosed pragmatism, not only in political elites, but also in so-

[1] At the end of the year 2005, seven parties and groups went to the top of the list, leaving far behind some 40 other political groups that tried to reserve their place in the electoral competition. Five political forces passed the test of elections in March 2006, in the following distribution: The Party of Regions led by Viktor Yanukovych, Yuliia Tymoshenko Bloc, the "Our Ukraine Bloc" organized around the President, the Socialist Party of Ukraine and the Communist Party of Ukraine.

ciety. The people attached new hopes to the parliamentary elections in the spring of 2006, but this time based on absolutely practical ideas.

Once again, the interests of the large industrial-financial, business-political circles started dominating the political processes. The political and economic downturn that had developed by 2005, as well as the lack of capability and readiness of the new power to embark on a constructive dialogue, encouraged the financial-industrial groups to step up their political activities significantly once again. The same was done by the large capitalists, most of whom considered themselves "losers" owing to the Orange Revolution. The policy of Tymoshenko's government also contributed to this process. In fact, financial-industrial groups became the determining participants of the parliamentary elections of March 2006. The unfinished revolution went on, but — as we know from history — in the genre of irony or farce. At the end of May 2006, the following factions were set up in the Ukrainian parliament (a total of 450 mandates): (1) Party of Regions (Viktor Yanukovych) — 186 mandates; (2) Yuliia Tymoshenko Bloc, comprising two political parties, All-Ukrainian Union "Fatherland", or "Bat'kivschyna" and Ukrainian Social Democratic Party — 129 mandates; (3) The "Our Ukraine Bloc", containing six parties (People's Union "Our Ukraine", Ukrainian People's Party, Party of Industrialists and Entrepreneurs, Congress of Ukrainian Nationalists, Ukrainian Republican Party Assembly, or "Sobor", Christian Democratic Union) — 81; (4) Socialist Party of Ukraine — 33; (5) Communist Party of Ukraine — 21 mandates.

In the parliamentary stalemate that developed, it is impossible to form a majority. At the same time, some kind of majority should be formed, in order to enable the mere operation of parliament and government, as well as to allow the business circles operating their capital invested in politics. Some kind of coalition was needed. And whatever coalition resulted, it would have to be one of "adversaries" (competitors). The risk of the individual configuration in parliament has become a matter of principal importance. In other words, who will carry the risk and who will enjoy the benefits? The block of former "orange political forces" that came to power but now are lacking internal consensus? Or big capital, which put new political "adversaries" on its facade? Or perhaps the players of foreign policy? Or society and the state in total?

In consideration of the structure of political power, the new configuration in parliament is not only influenced by parties' ideological or theoretical incompatibility (such differences are more or less expressed only in the case of the Communist and the Socialist Party), but much more by

the continuing struggle of the business interest groups backing up these political forces, seeking to capture the resources[1]. This was one of the reasons for the delay in coalition talks. This series of comedies lasted from April to July 2006. Another paradox of Ukrainian politics also manifested itself. Ultimately, the political games played with the involvement of interest groups within the parliament and business-political interest groups produced the same result that was *de jure* expressed by voters as their intention in the elections of March 2006. The political forces that occupied the place of the party in power and the leading opposition party, as alternative options to each other, were the ones that performed the best in the elections: the Party of Regions and Yuliia Tymoshenko Bloc. All the other forces in parliament had the role of a necessary but supporting actor.

The formation of the coalition carries an important lesson in democracy. The only way to have meaningful talks is to use the path designated by important economic-political interests. From the *Homo Ludens* concept of Johan Huizinga, we know that even impossible games have to be followed through. The paradoxical feature of a game is that new habits and rules are created through it. The perspective of creating a society of solidarity on the basis of national and civil identification was invented and became realistic in this game, setting up a "bridge" between Left-bank and Right-bank Ukraine. (Ukraine is divided into two parts by the Dnieper River in a geographical sense, and this division is connected to politics as well.) At the same time, despite the democratic shop window put up to disguise the coalition and government negotiations, and even despite signs of actual democratization in Ukraine, once again the elites are the leading echelons in social transformation. *Socialness* (a term of Habermas) is only a "viewer", an observer of the processes. This paradox applies not only to Ukrainian politics, but also to the development of democracy as such.

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[1] As has been stated by, among others, journalists of the *Korrespondent* [17] by now it has become obvious that System Capital Management, a company owned by billionaire Rinat Akhmetov, which is the largest holding enterprise in Ukraine, and which supported the Party of Regions actively (including the head of the party, who became the Prime Minister once again), intends to break the monopoly of "RosUkrEnergo" in Ukraine's natural gas market, to win the privatization of "Ukrtelekom", the largest telecommunication company, and would revise the concentration of large metallurgical companies. "Gazprom" targeted chemical companies for acquisition. Someone else set their eyes on gas and oil fields, someone else on the state budget — and everybody jumped on arable land.

Perspectives of Development or a Deadlock? Some Concluding Remarks

A permanent political and governmental crisis has had its ebbs and tides from the end of 2004 up to now. No one can identify a coherent concept of economic policy in the activities of the Ukrainian government, and this has always been the case in the last 15 years since Ukraine gained its independence. However, the economy of Ukraine continues to produce remarkable growth.

This growth started at the turn of 1999-2000. By 2004, the surge in GDP had exceeded 12%. After an abrupt halted in the first half of 2005, in the next period the economy started to accelerate, and continues to do so. In 2006, spectacular positive macroeconomic shifts occurred. They included: (a) the growth rate of capital investments compared to GDP growth more than doubled (12.2%); (b) the revenue trends of the state budget improved; (c) inflation was the lowest among CIS countries at 3.8%, while real household income grew by 20%, i.e. real wages grew by 22.9%; (d) wholesale and retail trade turnover expanded by more than the growth of GDP, which was not common in the previous years [2; 12].

These structural changes solidify and increase value changes in the mindset of Ukrainian citizens. In the results of research conducted by the Razumkov Research Center, we can discover one of the signs of this shift. The question was: "What should be your priority, given the restricted opportunities of the Ukrainian state budget?" There were two answers: (1) the state should support people in a disadvantageous position, who are unable to work, with welfare support, subsidies, etc.; (2) the state should support people capable of working by raising their wages, creating jobs and supporting small and medium enterprises. At the end of 2003, 64% of respondents chose the first option and 33% the second. At the end of 2004, this ratio changed to 48% versus 33%. By December 2005, the ratio had been reversed: 33% chose the first option and 64% the second [10]. In other words, almost two-thirds of citizens expect work, rather than welfare support. This is an important sign of a European attitude — one relies on contribution of the individual, autonomy and fair wages.

The latest parliamentary elections have strengthened changes in the general preferences of political parties. The communist ideal had failed, and the positions of the Communist Party were practically eliminated. Owing to an internal crisis that had ripened over a long period, the influence of the Socialist Party diminished, following the struggle that began in 1997-1998 between pro-communist nostalgia and the "new democracy" policy of the Social Democrats. The parties that grew out of the Social-Democratic cradle are now scattered all over the political arena. The

neo-classical versions of conservative-bourgeois parties (the Party of Regions, the "party of affluents" as one of its leaders, Ye. Kushnaryov, called it) have gained strength, but they still play on post-communist nostalgia. The influence of political forces focusing on national-cultural renewal has decreased significantly. The political interests of parties have shifted from the extreme points of the left-right scale toward the center[1].

Paradoxically, favorable changes in structure and system of values exacerbate the economic and social policy dilemmas of the new Ukrainian government. What should be done to ensure not only continued improvement of indicators, but also a systematic growth of economy and welfare? Should it let the ideals of liberalism gain further latitude, or orchestrate a new round of dirigisme? The experiences of the Yanukovych government of 2003-2004 show that macroeconomic issues are not really in the focus of attention. The current government emphasizes capital investment of the state, as opposed to completion of the market-structural transformation started in previous years, such as protection of private property, land reform, consolidation of the bank and money market sectors, and adoption of market mechanisms in the welfare sector. But without these, the state capital investments will tip the balance of the investment markets and, ultimately, could lead to adverse economic and social consequences, once again jeopardizing the development of Ukraine. Ukraine's social and economic development has been put on more independent foundations, and continues to show a high degree of instability. The uncertainty is caused by a complex set of subjective and objective factors. Among these factors are the following things. Yanukovych displays a lack of autonomy and personal attraction. President Uschenko is lacking the appropriate willpower and support as a leader, although he is certainly "committed" to national interests. The political arena is gradually splitting into two poles, headed by Yanukovych and Tymoshenko. The "third power" that would ensure the balance of interests may prove to be weak. The remaining option is that those who continue playing political games will take advantage of the division of society.

We can once again put the question: *Where are you going, Ukraine?* Taking into account the recent social dynamics one can assert that the nearest development of the society will be able to indicate the most favorable answer on this basic question.

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1 However, the political outlook of the presidential party "Our Ukraine" is not very promising. Originally this started as a coalition organized around Uschenko, but its integrating influence has decreased significantly. Owing to that, this political force started to bleed over and be merged into other groups, concentrated in the center of the span of political parties.

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